

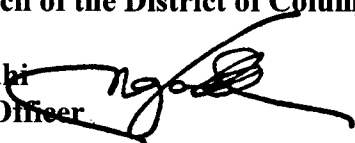
Government of the District of Columbia
Office of the Chief Financial Officer



Natwar M. Gandhi
Chief Financial Officer

MEMORANDUM

TO: The Honorable Vincent C. Gray
Chairman, Council of the District of Columbia

FROM: Natwar M. Gandhi 
Chief Financial Officer

DATE: October 2, 2009

SUBJECT: Fiscal Impact Statement: "First Congregational United Church of Christ Property Tax Abatement Emergency Act of 2009"

REFERENCE: Bill 18-463, Draft shared with ORA on October 1, 2009

Conclusion

Funds are not sufficient in the FY 2010 through FY 2013 budget and financial plan to implement the provisions of the proposed legislation. The proposed legislation would reduce tax collections by \$951,212 in FY 2010; there would be no additional reductions in FY 2011 through FY 2013. Implementation of the proposed legislation is subject to the inclusion of its fiscal effect in an approved budget and financial plan.

Background

The proposed legislation would amend Chapter 46 (Special Tax Incentives) of Title 47 of the D.C. Official Code to exempt the real property—currently subdivided as Lots 833 through 835 and 7000 through 7011 in Square 375 and known as the First Congregational United Church of Christ ("First Congregational")—from property tax. The exemption would remain in place as long as First Congregational owns the property. The proposed legislation would also exempt the transfer by First Congregational of Lots 834, 835, 7003, 7006, 7007, 7008, 7009, 7010 and 7011 in Square 375 from the transfer tax; and would require that all property taxes, interest, penalties, fees and other related charges assessed against First Congregational on the real property located on Lots 823 and 831 in Square 375¹ for the period beginning February 1, 2008, be forgiven, and any payments made for this period be refunded.

¹ Lots 823 and 831 encompassed all of the lots in Square 375 owned by First Congregational in 2008. In 2009, the

In January 2008, First Congregational was demolished in anticipation of a development project that would have resulted in the construction of a new church and associated social service, administration and education space for First Congregational, as well as commercial space that was to be bought and developed by the developer. However, the project was suspended for financial reasons and the lots have sat empty for the last one and a half years. There is now a new agreement and the sale of the commercial space to the developer is planned for October 14, 2009.

First Congregational is liable for property tax on *only* those lots that have been designated for commercial use for the period between February 1, 2008 and the end of the month in which the lots are sold to the developer.² The lots that are to be retained by First Congregational and used for religious purposes have continued to be exempt from any taxation.³

This legislation would exempt First Congregational from having to pay the property taxes that have accrued on the commercial lots. It would also exempt First Congregational from having to pay the transfer taxes on these commercial lots at the time of the sale to the developer.

Financial Plan Impact

Funds are not sufficient in the FY 2010 through FY 2013 budget and financial plan to implement the provisions of the proposed legislation. The proposed legislation would reduce tax collections by \$951,212 in FY 2010; there would be no additional reductions in FY 2011 through FY 2013.

Estimated Loss of Tax Revenue					
	FY 2010	FY 2011	FY 2012	FY 2013	Four-Year Total
Property Tax Refunds for FY 2008 and FY 2009	\$615,793	\$0	\$0	\$0	\$615,793
Property Tax for FY 2010*	\$ 32,030	\$0	\$0	\$0	\$ 32,030
Transfer Tax	\$303,389	\$0	\$0	\$0	\$303,389
Negative Fiscal Impact	\$951,212	\$0	\$0	\$0	\$951,212

* Reflects property tax for the month of October. See Footnote 3.

lots were subdivided into Lots 833 through 835 and 7000 through 7011.

² When a property loses its tax exempt status or is transferred from an exempt organization to a non-exempt organization, property tax begins to be billed on the property starting on the 1st day of the month immediately following the transfer. For example, if the sale took place on October 15, billing would begin on November 1.

³ In 2008, 82.77 percent of Lots 823 and 831 were deemed taxable. Since 2009 when the lots were subdivided, Lots 834, 835, 7006, 7007, 7008, 7009, 7010 and 7011 have been subject to property tax. Lots 833, 7000, 7001, 7002, 7003, 7004 and 7005 have continued to be exempt from taxation. Under the new development deal, First Congregational decided to also sell Lot 7003; however its tax exempt status was not changed.